

The accountability of executives: a contemporary reading

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The tradition of personal liability among private bankers finds an echo in the recent debates on the accountability of bank executives. After the fall of Credit Suisse and its takeover by UBS in 2023, the Swiss authorities examined ways of strengthening the individual accountability of executives, in particular through a regime that would define each person's responsibilities and allow breaches to be sanctioned more effectively.¹

These debates return to the logic that underpinned the status of the private bankers: those who run a bank must answer personally for the consequences of their decisions. The unlimited liability of the partners was a radical form of that requirement. Modern regimes of executive accountability offer more targeted forms of it, based on the clear allocation of responsibilities, the possibility of banning individuals from the profession and the clawback of remuneration.

The history of Geneva's private bankers sheds an original light on this debate. It shows that governance founded on personal liability can contribute to the prudence and longevity of institutions. It also shows that such liability must be accompanied by rigorous organisation and a culture of vigilance, failing which it is not enough to prevent errors. Contemporary regimes seek to combine these two dimensions.

Worked example. A bank executive receives variable remuneration of CHF 2 million a year for five years. If a clawback regime allows the variable remuneration of the last three years to be recovered in the event of serious misconduct that has caused losses, the recoverable amount comes to CHF 6 million. A partner with unlimited liability in a private bank would, in the same situation, have exposed the whole of his personal fortune to the bank's losses. The figures are fictitious; they illustrate the difference in intensity between the two forms of liability.

1 Notes

1. Federal Council, Rapport sur la stabilité des banques (Report on bank stability, the “too big to fail” report), adopted on 10 April 2024 (efd.admin.ch): 22 measures that can be implemented directly and seven measures requiring further study; senior managers regime, regulation of variable remuneration (vesting periods, clawback clauses), examination of whether FINMA should be empowered to impose fines; CDBF, “Too big to fail: A senior managers regime gaining ground in Switzerland” (cdbf.ch/en/1347): regime initially envisaged for systemically important banks, in line with the Financial Stability Board’s peer review of 29 February 2024. ↩

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